



American Recovery &
Reinvestment Act of 2009

PHFA'S IMPLEMENTATION PLAN

www.phfa.org

General Overview

- Tax Credit Assistance Program
- Low Income Housing Tax Credit Exchange Program
- ARRA Implementation Plan



Tax Credit Assistance Program (TCAP)

- PHFA to receive \$95,050,396 directly from HUD
 - for developments awarded 2007, 2008 or 2009
Low Income Housing Tax Credits (LIHTC)
- Developments must have an award of Tax Credits and follow Tax Credit requirements including:
 - timelines - carryover allocation and placed in service
 - income, rent and use restrictions



Tax Credit Assistance Program

- Expenditure timelines:
 - 75 percent of funds must be committed in year 1
 - 75 percent of funds must be expended by year 2
 - 100 percent of funds must be expended by year 3
- PHFA does not have to amend QAP
- HUD must approve TCAP selection criteria – June 3 deadline to HUD
- Funding amount based on **eligible basis** costs
- Assistance will be a LOAN
 - in most cases will be 30 year non-interest bearing cash flow loan



Tax Credit Assistance Program

- Key Federal Financing Requirements:
 - Davis-Bacon Wage Rates
 - Anti-discrimination and Equal Opportunity
 - National Environmental Policy Act
 - Lead-Based Paint Poisoning Prevention and Residential Lead-Based Paint Hazard Reduction Act of 1992
 - Anti-Lobbying Restrictions



LIHTC Exchange Program

- PHFA may exchange up to 40 percent of PA's 2009 tax credit authority at \$0.85 per tax credit for funding developments in the same manner as an award of Low Income Housing Tax Credits (LIHTC)
- PHFA may exchange 100 percent of returned credits from 2007 and 2008

LIHTC Exchange Program

- Developments must:
 - meet LIHTC program requirements for affordability
 - demonstrate inability to secure equity investment (good faith effort)
- Funds must be disbursed by **December 31, 2010**
- Agency intends to provide assistance in the form of a grant



PHFA ARRA Implementation Plan

- ARRA Implementation Plan will cover:
 - Tax Credit Assistance Program (TCAP)
 - LIHTC Exchange Program (Exchange)
 - PHFA to determine resources – based on availability, project attributes, amount of assistance and ability to meet deadlines

Funding Priorities:

- 2007 & 2008 Projects
- 2009 Projects
- Other funding priorities (which may include 4% development using tax-exempt bonds)



ARRA Implementation Plan

- *Key Eligibility Requirements*
 - Ability to commence construction within 60 days from award date
 - Must be demonstrated at time of application
 - 2007-2008 projects must apply
 - 2009 projects may be considered without further action
 - No material changes from current approved pro forma
 - **Project's ability to meet TCAP or Exchange program requirements including expenditure timeframes**

ARRA Implementation Plan

- *Selection Criteria:*
 - Site Ownership
 - Provide deed or site control
 - Site Plan Approval (including zoning and land use)
 - All zoning and land use approvals must be in place
 - Construction Documents
 - Minimum of 90% drawings and specifications
 - Construction and Architects Contracts

ARRA Implementation Plan

Selection Criteria cont'd

- Commitment of all sources of Project funding
- Building Permits
- Evidence of equity investment or failure to secure equity sufficient for financial feasibility:
 - 2 letters evidencing lack of interest or terms that do not meet financial feasibility
 - Certification describing steps taken to solicit investor
 - PHFA may contact investor to confirm information

PHFA to determine that good faith efforts were made

ARRA Implementation Plan

- Status of federal clearances
 - Phase I Environmental Site Assessment (and Phase II if necessary)
 - Lead based paint testing results, if applicable
 - State Historic Preservation Office Letter
 - Part 2 Historic Approval, if applicable
- Completeness of application
- ***Evidence of the ability to complete construction within the ARRA program timeframes***



ARRA Implementation Plan

- Beginning June 1, 2009, project with 2007 and 2008 tax credits may submit an application.
- Applications will be accepted on a rolling basis.
- Development must demonstrate ability to commence construction within 60 days from award date.
- Failure to meet deadlines may result in recapture of award.
- For 2007 & 2008 projects – failure to move forward by October 1, 2009 may result in recapture of tax credit award.
- Funding of 2009 projects will be made with award of tax credits or supplemental to award of tax credits.

ARRA Implementation Plan

- PHFA will perform:
 - construction oversight functions (including payouts)
 - asset management and compliance monitoring
 - additional reporting requirements – including jobs creation



ARRA Implementation Plan

- Projects with ARRA funds must meet Section 42 rent, income and use requirements
- Projects must demonstrate continued compliance with any additional requirements promulgated by IRS, Treasury and HUD

ARRA Implementation Plan

- Public Comments will be accepted through May 21, 2009
- Implementation Plan and Application Materials will be posted on www.phfa.org.
- PHFA must submit applications for funding to HUD and Treasury
 - HUD application due June 3, 2009
 - Treasury will accept applications as funding is needed

PHFA may amend or modify plan as necessary to meet HUD or Treasury guidance or requirements

PHFA ARRA Underwriting Guidelines and Fees Schedule

- **ARRA Application Fee**
\$1000 processing fee submitted with application
- **Construction Monitoring Fee**
\$500/month during construction period
- **Commitment Fee**
\$10,000 within 2 weeks of the ARRA Award. Developments that are unable to close the loan within 60 days of the Award will have the award rescinded and the fee forfeited.
- **Asset Management and Compliance Monitoring Fee**
\$800 per unit deposited as an upfront fee

**For Properties without an equity Investor and
no Agency Financing,
the following underwriting guidelines apply:**

Developer's Fee

The amount approved for Developers Fee in the last allocation award to be disbursed as follows:

- 25% at initial loan closing
- 25% at construction completion, as approved by PHFA
- 25% upon qualified occupancy for 95% of the units
- 25% upon achievement of 2 years of continued (1) 95% occupancy, (2) positive cash flow and (3) no findings of non-compliance or ten (10) years from occupancy whichever is earlier

Development Reserves (no equity investor)

- **Operating Reserve** – 4-9 months of operating expenses, reserved deposits and amortizing debt service to be held by PHFA.
- **Transformation Reserve** – An amount deposited with the Agency to cover the ACC subsidy for a period not to exceed 12 months.
- **Rental Subsidy** – As originally submitted and approved – to be deposited in a pledged escrow account.
- **Supportive Services Escrow** – As originally submitted and approved to be deposited in a pledge escrow account.
- **Reserve for Replacements** – Funds must be deposited on an annual basis with an approved third party in a restricted account.

For Properties with no Agency financing utilizing TCAP funds, the development reserves remain as listed on the previous slide. The developer's fee should remain the amount listed as approved in the last allocation award to be disbursed as per the equity provider.

For Properties utilizing Agency Financing and either TCAP or Exchange Funds, the following underwriting guidelines apply:

1. **Developer's Fee:**

The amount approved for Developer's Fee in the last allocation award to be disbursed as per the equity provider.

2. **Development Reserves:**

- **Operating Reserve** – 4-9 months of operating expenses, reserve deposits and amortizing debt service to be held by PHFA.
- **Development Contingency Fund** – 4% of Agency financing.

For Properties utilizing Agency Financing and either TCAP or Exchange Funds, cont'd

- **Transformation Reserve** – An amount deposited with the Agency to cover the ACC subsidy for a period not to exceed 12 months.
- **Rental Subsidy** – As originally submitted and approved – to be deposited in a pledged escrow account.
- **Supportive Services Escrow** – As originally submitted and approved – to be deposited in a pledged escrow account.
- **Reserve for Replacement** – Funds to be deposited as per PHFA requirements and held by the Agency.
- **Tax and Insurance Escrows** – The first year tax & insurance estimates are required to be funded two months prior to construction completion.

Costs Not Eligible for TCAP Funding:

- Offsite Improvements
- Building Demolition
- Environmental Costs
- Appraisal
- Rent Up Expenses
- Application, Reservation, and Allocation Fees
- Title and Recording Costs
- Permanent Financing Fees
- Land
- Costs Related to Purchase of Land
- All Reserves
- All Syndication Costs Except: Bridge Loan Construction Fees and Expenses
- Asset/Compliance Monitoring Fees

TCAP Requirements

Federal requirements triggered by TCAP funds:

- Section 504
- National Environmental Policy Act (NEPA) review
- Davis Bacon wage rates
- Lead based paint requirements

Not applicable to projects funded through a credit exchange

Construction Documents

- 90% – 100% completed drawings
- 90% - 100% completed specifications with Davis Bacon wage rates, if applicable
- Architectural Contract (executed)
- Construction Contract (draft if not executed)

Construction Documents

- Site Plan Approval
 - Zoning
 - Land Development Plan
- Permits
 - Building Permits
 - Letter from municipality stating all requirements met, permits can be pulled later
 - Letter from municipality listing outstanding requirements & timeframe for issuing permits

Environmental Requirements

- Phase I Environmental Site Assessment
- Phase II Report if required
- Lead based paint testing (renovation of pre-1978 building)
- SHPO letter
- Part 2 historic approval, if applicable

Document Review

- Quick review
- Will check certifications
- Accessibility & visitability
- Relying on architect for completeness

Monitoring

- Construction
 - Monthly payout meetings
 - Verification of certifications
 - Davis Bacon wage verification
 - Job creation/retention
- Post Construction Completion

Continue to check for updates and
additional multifamily program information

www.phfa.org

Additional HUD guidance available at

www.hud.gov/recovery

Additional Treasury guidance available at

www.treasury.gov/recovery

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